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Address Official Communications To
Office of the United States Political
Adviser for Japan,
Tokyo.

MEMORANDUM OF CONVERSATION

Subject: Informal Discussions on the United States Standard Draft Treaty of Friendship, Commerce and Navigation

Participants: For the Ministry of Foreign Affairs:

Mr. Morio YUKAWA, Director, Economic Affairs Bureau
Mr. Kenichi OTABE, Vice Director, Economic Affairs Bureau
Mr. Haruki MORI, Chief, First Section, Economic Affairs Bureau
Mr. Takeshi KANEMATSU, Secretary, First Section, Economic Affairs Bureau
Mr. Kay MIYAGAWA, Secretary, First Section, Economic Affairs Bureau

For the Office of the United States Political Adviser, Japan:

Mr. Jules BASSIN, Legal Attache
Mr. Dudley G. SINGER, Commercial Attache
Mr. Robert W. ADAMS, Second Secretary

Place: Office of the United States Political Adviser, Tokyo, Japan.

Date: Thursday, March 20, 1952. NINTH INFORMAL MEETING

Discussions were resumed on the Japanese comments and proposed changes with reference to the Memorandum of Conversation on the second informal meeting held on February 27, 1952. Various changes were made in the draft memorandum, and both sides finally agreed that the revised draft prepared during this meeting was acceptable without further change. Mr. Adams stated that the final copy would be ready for initialling within a few days, and Mr. Yukawa agreed that the revised draft was accepted as a final record of the second informal meeting.

It was then agreed that general meetings would no longer be held to discuss revisions of forthcoming memoranda of conversations, since time would be saved if a special working group were responsible for

reaching agreement on the final text of these memoranda. Mr. Mori and Mr. Miyagawa were designated to represent the Japanese side at these special meetings, and Mr. Adams the American side.

Mr. Yukawa then proposed that discussions be resumed on Article XII of the standard draft, which had been left pending since the seventh meeting on March 13, 1952.

With further reference to paragraph 1, Article XII, Mr. Yukawa stated that Japan welcomes dollar investments, but that some restrictions might be necessary with respect to the source of the dollar investment. He emphasized that dollars might flow into Japan from non-dollar sources, but that, although there were indications that a considerable amount of such dollars was already flowing into Japan through Hong Kong, Japan would in some cases be unwilling to permit such an in-flow of dollars.

Mr. Singer stated that the question posed by Mr. Yukawa implied that such restrictions would be applicable only to non-Americans who might wish to invest dollars in Japan from a third country. Having received an affirmative reply, Mr. Singer then pointed out that this was a matter falling entirely outside the provisions of an FCN Treaty between Japan and the United States. Any restrictions of the type contemplated would be of interest to the United States in the light of its own fiscal policies, but would not be regarded as affecting American interests under the FCN Treaty.

Mr. Otabe then asked if it was understood that paragraph 2, Article XII, shall not be construed to preclude either Party from exercising such restrictions as are necessary to regulate the inflow of capital, as is provided for under Section 3, Article VI, of the Articles of the International Monetary Fund.

Mr. Adams replied that he believed that Article XII of the standard draft was intended to embody the rights and obligations a Party might have under the Articles of Agreement of the International Monetary Fund. It would appear therefore that Mr. Otabe's understanding of paragraph 2, Article XII, was correct. Mr. Adams added that he was not prepared to give a definitive answer on this point, and that he would refer Mr. Otabe's question to the Department of State for further clarification.

Mr. Wukawa stated that there were other questions on the Japanese side with reference to Article XII and proposed that discussions on this Article be continued at the next meeting on Tuesday, March 25, 1952.

/s/ M. Yukawa

Morio Yukawa
Director
Economic Affairs Bureau
Ministry of Foreign Affairs

/s/ Frank A. Waring

Frank A. Waring
Counselor for Economic Affairs
Office of the United States
Political Adviser, Japan